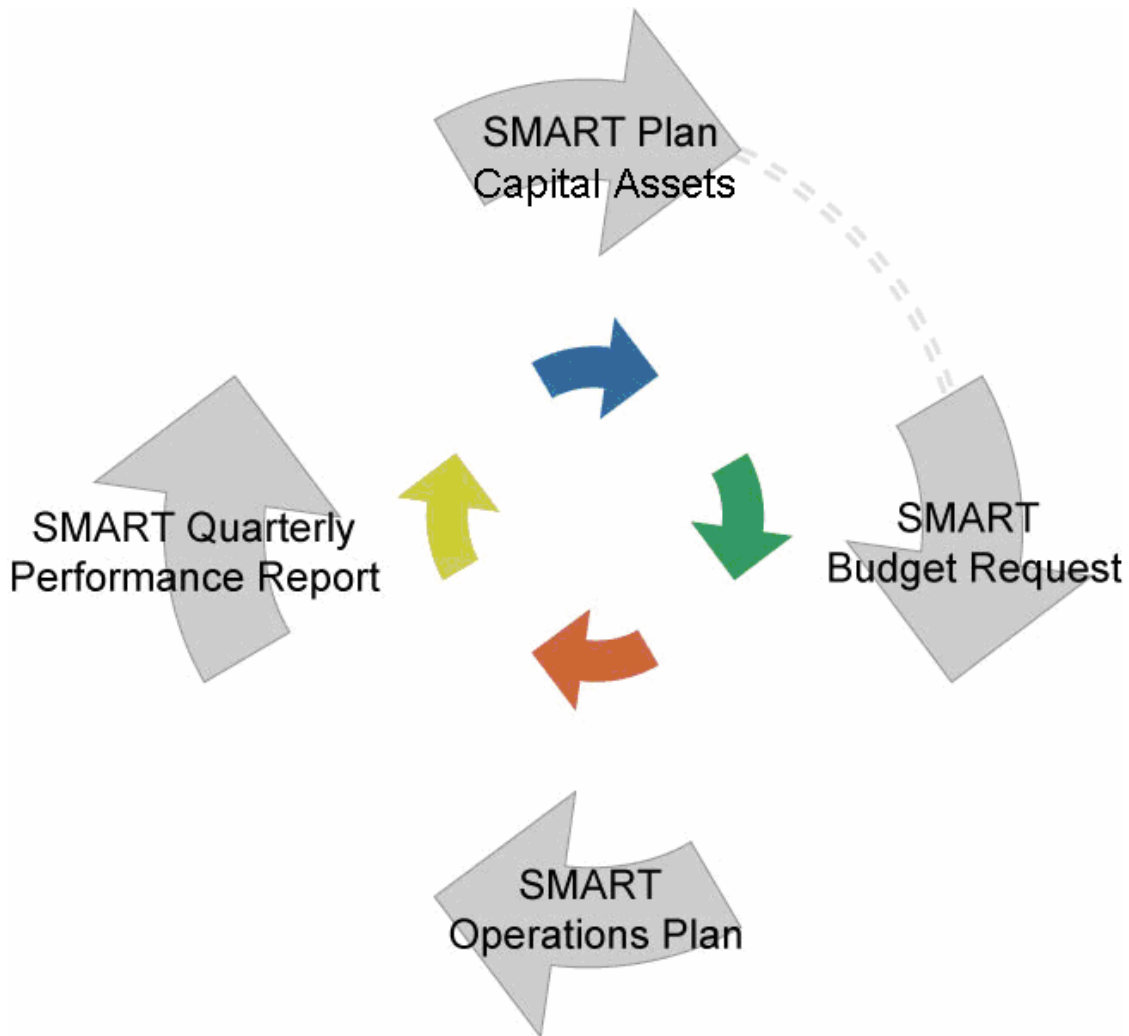


# *FY09 SMART Capital Assets Manual*



*Planning with Purpose*



**State of Alabama**  
**Bob Riley**  
**Governor**

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## ***Section 1:***

### **INTRODUCTION TO CAPITAL ASSET PLANNING**

The SMART Capital Asset Plan is a five year plan designed to identify an agency's current and anticipated capital needs. Decisions of what to build, how to finance and how to maintain existing assets have long-range implications for the fiscal health of both the agency and the State. Insufficient planning and managing of capital assets can have a detrimental effect on the State's ability to accomplish its goals and mission.

When devising a Capital Asset Plan, the following factors must be addressed:

- A systematic method to rate or prioritize multiple capital projects
- Specific operating costs for each capital project over a multi-year period
- Relationship between capital project outcomes and overall state goals

Capital asset projects are labeled by the phase of their existence into one of the following status categories: new, recurring or continuing. Capital asset projects include any additions to or improvements in capital assets. This includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in an operation and that have initial useful lives extending beyond a single reporting period. For the State of Alabama, a single reporting period is one fiscal year (October 1 through September 30). The total cost of a capital asset project should include all costs incurred to place the asset in service for its intended use. Capital assets classified in the same category and status may be grouped together as one "project".

## ***Section 2:***

# **CAPITAL ASSET PLANNING PROCESS**

### **Overview**

- Agencies are required to report all capital asset projects for the current year as well as anticipated capital projects for the next four years. Capital assets are first identified at the summary level. When the aggregate sum of an agency's 5-year capital asset projects meets or exceeds the \$500,000 threshold, a detailed description must be completed for each project. The summary and detailed description, if applicable, should be submitted during the first phase (Plan) of the SMART Planning Cycle. When the SMART Budget Request is submitted, agencies will be required to update or confirm their capital summary and/or detail information and then re-submit their 5-year Capital Asset Plan.

### **Web Application**

- **SMART Plan**  
Before submitting your SMART Plan, you will be prompted to complete the Capital Asset Summary Plan. All agencies are required to complete the summary level plan. Agencies that do not have capital requests will indicate within the web application that there are none. Should the sum of all an agency's 5-year capital asset projects meet or exceed the \$500,000 threshold, the agency must complete the next step which includes providing details of each project. After you have completed the required steps, submit your Capital Asset Plan and proceed to submit your final SMART Plan.
- **SMART Budget Request**  
Before submitting your SMART Budget Request, you will be prompted to review your Capital Asset Plan and make any changes or updates if needed. If no changes are to be made, simply confirm that your Capital Asset Plan is complete and proceed to submit. If changes are necessary, make the changes and then move on to submit your final Capital Asset Plan. Once you have submitted your CA Plan, proceed to submit your final SMART Budget Request.

### **Timeline**

- **July 26, 2007 – SMART Plan & Capital Asset Plan**
  - 1<sup>st</sup> submission Capital Asset Summary and Detail (if required)
- **November 1, 2007 – SMART Budget Request & updated Capital Asset Plan**
  - 2<sup>nd</sup> submission Capital Asset Summary and Detail (if required)

**NOTE:** *Agencies that do not have any capital asset projects are still required to report on the web application that they do not have any.*

### ***Section 3:***

## **CAPITAL ASSET PROJECT COMPONENTS**

### **A. SUMMARY INFORMATION**

The summary level plan consists of basic information collected for each capital asset project. Projects are classified by status (recurring, continued or new) and broken down into six capital asset categories (Acquisition of Land/ and or Buildings, New Construction, Improvements, IT assets/projects, Equipment/Non-IT related, and Transportation Equipment). The list of terms below defines each component that makes up the summary level and provides instructions for entering the data on the web application.

#### **1a. FY Project Began**

- **Definition:**  
The fiscal year the project began or is expected to begin.
- **Web Application:**  
Enter in the last two digits of the fiscal year.

#### **2a. Agency Priority**

- **Definition:**  
The rank of importance for each project in priority order with “1” being the highest.
  - ✓ Priority rankings cannot be duplicated. For example, only one project can be ranked number “1”.
- **Web Application:**  
Enter the number that corresponds with each project’s priority rank. The web application will not accept duplicate priority numbers.

#### **3a. Project ID**

- **Definition:**  
An auto generated identification number assigned to each project.
- **Web Application:**  
DISPLAY ONLY FIELD

#### **4a. Governor’s Priority**

- **Definition:**  
The link that associates each project with one of the Governor’s Priorities (See the SMART Manual, pages 9-11, for a list of the Governor’s Priorities).
- **Web Application:**  
Select the link from a dropdown list.

### **5a. Status**

➤ **Definition:**

The phase of a project:

- **New-** Capital asset project that has not previously received funding.
- **Recurring-** Capital asset project that has a routine schedule replacement plan.
  - ✓ Example: A department may replace ¼ of their computers every year.
- **Continuing-** Capital asset project that has received funding in prior year(s), but has not been completed.

➤ **Web Application:**

Select the status from a dropdown list.

### **6a. Category**

➤ **Definition:**

The classification that best describes each project:

- **Acquisition of land and/or buildings-** the cost of land, right-of-way, and any incidental acquisition cost related thereto; the cost of purchases of buildings, and the land on which they stand.
- **New construction** –the cost of new construction for the following: roads, highways, bridges, airfields, buildings, parking lots or any other facility that meets the definition of a capital asset. Intangible costs such as architectural and engineering fees should be included.
- **Improvements** – an addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity.
- **IT** – replacing, creating or implementing IT infrastructure, IT hardware, or applications. It does not include maintenance or repair of equipment, infrastructure. Major upgrades in application software or function are considered projects.
- **Equipment (Non-IT related)** - all other equipment item purchases, except those related to transportation equipment and/or IT equipment assets/projects. Such cost should include freight, installation or the cost of modifications necessary to place the asset into use.
- **Transportation equipment** – the cost of all types of transportation equipment, including all cost necessary to place the asset in service. Such costs should include: freight, installation or the cost of modification.

✓ All categories include capital assets acquired by capital leases.

➤ **Web Application:**

Select the category from a dropdown list.

### **7a. Project Description**

- **Definition:**  
A brief narrative that explains the purpose of the project.
- **Web Application:**  
Enter description in the text field.

### **8a. SMART Key Goal Link**

- **Definition:**  
Identifies those projects that address SMART Key Goals.
- **Web Application:**  
Check YES or NO.

### **9a. Total Project Cost**

- **Definition:**  
All costs incurred to place the capital asset in service for its intended use.
- **Web Application:**  
Enter whole dollar amount.

### **10a. FY 09 Source of Funds**

- **Definition:**  
The estimated dollar amounts that will be requested in FY 09 from each of the following funds:
  - General Fund
  - Education Trust Fund
  - Special Revenue
  - Federal Revenue
  - Bond Proceeds
  - Other Funds
- **Web Application:**  
Enter whole dollar amounts in the appropriate fund.
  - ✓ The sum of funds requested will be auto calculated to populate the “Amount Requested in FY 09” field. DISPLAY ONLY

### **11a. FY 09 Operational Impact**

- **Definition:**  
The estimated FY 09 operational cost or savings incurred as a result of placing the capital asset in use (broken down by source of funds).
  - General Fund
  - Education Trust Fund
  - Special Revenue
  - Federal Revenue
  - Bond Proceeds
  - Other Funds
- ✓ Cost Examples: Building a new prison would require additional staff, and maintenance costs; buying new cars would include buying insurance and maintenance costs.
- ✓ Saving Examples: Replacing cars could reduce repair costs; buying new computers could reduce maintenance and downtime.

➤ **Web Application:**

Enter whole dollar amount. Enter reductions or savings as a negative number.

**NOTE:** *If the sum of your 5-year Capital Asset Projects is less than the \$500,000 threshold, submit your summary level plan and do not complete the detail portion of the web application. However, if the sum of your Capital Asset Projects meets or exceeds the threshold, submit your summary level plan and proceed to complete a Detail Description for each project.*

**B. DETAIL DESCRIPTION INFORMATION**

The detail level adds in-depth information for each project to the data collected in the summary to create a more comprehensive 5-year Capital Asset Plan. Data collected in the summary will pre-populate the fields in the detail portion of the web application. In the detail level, projects will be more clearly defined and sources of funds and operational impacts will be projected for the following four years. The amount requested in FY 09 is also broken down by program and activity (if applicable). The list of terms below defines the additional components of the detail level and provides instructions for entering the data on the web application.

**1b. Project Dates**

➤ **Definition:**

Specific dates marking the beginning and ending dates of a project.

- **Start Date-** Actual or estimated start date of the project.
- **Scheduled Completion Date-** Estimated completion date of the project.

➤ **Web Application:**

Enter dates in appropriate fields. Format: MM/DD/YYYY

**2b. Justification**

➤ **Definition:**

A brief explanation of why an agency is requesting the capital asset.

- ✓ Example: “Capital Asset Project” is requested due to the result of a court settlement, federal mandate, or other authoritative/regulatory requirement.

➤ **Web Application:**

Enter information in the text field.

**3b. Alternatives**

➤ **Definition:**

A statement listing alternatives considered by the agency to the requested capital asset.

➤ **Web Application:**

Enter information in the text field. If you do not have any alternatives enter “Not applicable”.



#### **4b. Required Steps**

➤ **Definition:**

A brief list of necessary actions to accomplish acquiring a capital asset.

- ✓ Examples: Legislation required, federal grant award, or approval from a board.

➤ **Web Application:**

Enter information in the text field. If there are no required steps enter “Not applicable”.

#### **5b. Project Cost Source of Funds**

➤ **Definition:**

The actual prior and projected future costs associated with each project broken down by source of funds.

- General Fund
- Education Trust Fund
- Special Revenue
- Federal Revenue
- Bond Proceeds
- Other Funds
- **All Prior Costs-** The actual expenditures by source of funds for all prior fiscal years.
  - ✓ Not required for recurring capital asset projects.
- **Future Year Projections-** The estimated amounts needed over the next four years, by fiscal year, to complete the project.

➤ **Web Application:**

Enter whole dollar amounts.

- ✓ The sum of prior cost and funds requested by fiscal year will be auto calculated to populate the “Total Source of Funds” field for each fiscal year. DISPLAY ONLY

#### **6b. Additional Operational Impacts**

➤ **Definition:**

The estimated annual operational costs or savings incurred over the next four years as a result of placing or keeping the capital asset in use (broken down by source of funds).

- General Fund
- Education Trust Fund
- Special Revenue
- Federal Revenue
- Bond Proceeds
- Other Funds
- ✓ Cost Examples: Building a new prison would require additional staff, and maintenance costs; buying new cars would include buying insurance and maintenance costs.
- ✓ Saving Examples: Replacing cars could reduce repair costs; buying new computers could reduce maintenance and downtime.

➤ **Web Application:**

Enter whole dollar amounts. Enter reductions or savings as a negative number.

**7b. FY 09 Amount Requested by Program**

➤ **Definition:**

The FY 09 cost impact each project has on an appropriation unit(s) or program(s).

A project may address or impact up to six different programs.

- ✓ If a project impacts/addresses more than six programs, choose the six programs that will be affected the most.

➤ **Web Application:**

- **Program-** Enter the program number and name.
- **Costs-** Enter whole dollars only.